Sedibelo
Platinum Mines Ltd

SEDIBELO PLATINUM MINES LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018

August 29, 2018

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") for the three and six months ended June 30, 2018 contains ''forward-looking information'' which may include, but is not limited to, statements with respect to the future financial and operating performance of Sedibelo Platinum Mines Limited (the "Company" or "SPM"), its subsidiaries and affiliated companies (which together with Sedibelo Platinum Mines Limited is referred to as "the Group"), and its mineral projects, the future price of 4E metals (commonly used to refer to platinum, palladium, rhodium and gold), 4E production levels, mining rates, the future price of copper and nickel, future exchange rates, the estimation of mineral resources and reserves, the realization of mineral resource estimates or their conversion into reserves, costs and future costs of production, capital and exploration expenditures, including ongoing capital expenditure at the Pilanesberg Platinum Mine ("PPM"), costs and timing of the development of new deposits, costs and timing of the development of new mines, costs and timing of future exploration, requirements for additional capital, government regulation of mining operations and exploration operations, timing and receipt of approvals, licenses, and conversions under South African mineral legislation, environmental risks, title disputes or claims, limitations of insurance coverage and the timing and outcome of regulatory matters. Often, but not always, forward-looking statements can be identified by the use of words such as ''plans'', ''expects'', ''is expected'', ''budget'', ''scheduled'', ''estimates'', ''forecasts'', ''intends'', ''anticipates'', "targeted" or ''believes'' or variations (including negative variations) of such words and phrases, or state that certain actions, events or results ''may'', ''could'', ''would'', ''might'' or ''will'' be taken, occur or be achieved.

Forward-looking statements in this market release, amongst others, forecast production; recovery rates and grade; targets, estimates and assumptions in respect of 4E metal prices and production; allocation of funds for current commitments; and the timing and completion of definitive feasibility engineering studies at the Sedibelo, Magazynskraal, Mphahlele, Grootboom and Loskop Projects.

Such forward-looking statements are based on a number of material factors and assumptions, including, that contracted parties provide goods and/or services on the agreed time frames, that budgets and production forecasts are accurate, that equipment necessary for construction and development is available as scheduled and does not incur unforeseen break downs, that no labour shortages or delays are incurred, that plant and equipment function as specified, that geological or financial parameters do not necessitate future mine plan changes, that no unusual geological or technical problems occur, and that grades and recovery rates are as anticipated in mine planning.

Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Group to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, general business, economic, competitive, political and social uncertainties; the actual results of current exploration and mining activities; development and operational risks; title risks; regulatory risks; conclusions of economic evaluations and studies; fluctuations in the value of the United States dollar relative to the South African rand; changes in project parameters as plans continue to be refined; future prices of 4E metals; possible variations of ore grade or recovery rates (including the existence of potholes, faults and other geological conditions that may affect the existence or recovery of resources and reserves); failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes, industrial unrest and strikes and other risks of the mining industry; political instability, insurrection or war; the effect of HIV/AIDS on labour force availability and turnover; delays in obtaining governmental approvals or financing or in the completion of development or construction activities, as well as those factors communicated in the section entitled ''Risk Factors'' of the Company's current annual information form ("AIF") and its final short form prospectus dated 31 March 2011, which can both be viewed at www.sedar.com. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended.

Forward-looking statements contained herein are made as of the date of this MD&A and Sedibelo Platinum Mines Limited disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements due to the inherent uncertainty therein.

Introduction

1.1 Incorporation of Sedibelo Platinum Mine Limited's shares

Sedibelo Platinum Mines Limited ("the Company") is a registered Guernsey company. The Company reports in accordance with the provisions of The Companies (Guernsey) Law, 2008. During December 2013, the company changed its name from Platmin to Sedibelo Platinum Mines ("SPM") bringing it in line with its main subsidiaries' new enlarged regional profile.

1.2 Principal activity

Sedibelo Platinum Mines Limited and its subsidiaries (together "the Group") is a natural resources group of companies engaged in the acquisition, exploration, development and operation of Platinum Group Metals ("PGM") mineral deposits in South Africa. Through its 100% owned subsidiary, Pilanesberg Platinum Mines Proprietary Limited, the Group has established the Pilanesberg Platinum Mines ("PPM") on the Western Limb of the Bushveld Complex.

PPM is the Group's primary operating asset and consists of:

- the opencast West Pit on the farm Tuschenkomst 135JP;
- the opencast East Pit on the farm Wilgespruit 2JQ,
- a PGM concentrator, adjacent to West Pit and
- a chromite removal plant, adjacent to West Pit.

The principal focus of the Group is to maximise metal output from the concentrator. The consolidation of PGM mineral rights on the farms Tushenkomst 135JP, Wilgespruit 2JQ and Magazynskraal 3JQ, created a single block of mineral rights. As at December 31, 2017 the block of mineral rights comprised 25.1 million 4E PGM Measured & Indicated Resource ounces and 54.4 million 4E PGM Inferred Resource ounces. These will mostly be developed from new infrastructure. Around 6 million ounces of these resources will be accessed via open cast mining and the balance is shallow compared to existing PGM producers in the Bushveld Complex. Surface and shallow mining is less hazardous than deep underground mines and enjoys embedded cost advantages.

PPM management supervises the haul contractor and contractors specialising in drilling, blasting and run of mine ore preparation.

PGM concentrate is toll refined via contracts with Northam Platinum Limited ("Northam") and Impala Refining Services Limited ("IRS") to produce platinum, palladium, rhodium, and gold (collectively referred to as "4E"), plus iridium, ruthenium, copper and nickel. The offtake agreement with Northam expired on June 30, 2018. PPM is busy finalizing an exclusive three year agreement with Impala that should come into effect during Q2 in 2019.

The construction of a chromite removal plant was undertaken during 2017 to increase the revenue stream with minimal incremental operational costs. The chromite removal plant was commissioned during September 2017. Sales of on-spec chromite commenced during March 2018 and revenue from chrome sales is accounted for as a saving against operating costs.

Pilanesberg Platinum Mines Proprietary Limited, the operating subsidiary of SPM, has signed a loan agreement with the Industrial Development Corporation ("IDC") on 13 February 2018 which gave PPM access to a ZAR500 million debt facility. PPM drew down on the full facility during March 2018.

1.3 Acquisition, exploration and development of other PGM properties

The Group also holds valuable interests in PGM deposits on the Eastern Limb of the Bushveld Complex through its three exploration and development projects namely Mphahlele, Grootboom and Loskop.

1.4 Purpose of this MD&A

This Management Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is provided to enable the reader to assess and understand the financial position and results of operations for the three and six months ended June 30, 2018, in comparison to previous corresponding periods. Certain information in this MD&A must be read in conjunction with the audited consolidated financial statements of Sedibelo Platinum Mines Limited for the year ended December 31, 2017 and the notes thereto (collectively, the annual financial statements) prepared in accordance with International Financial Reporting Standards ("IFRS").

These documents can be found at www.sedibeloplatinum.com.

1.5 Reporting currency and periods

As mining and exploration activities are conducted in South Africa and most transactions are transacted in South African rand ("ZAR"), the functional currency is the South African Rand ("ZAR"). In this MD&A the financial amounts have been converted to and are reported in United States dollars ("USD"), the Group's presentation currency.

The following exchange rates to the USD were relevant:

	At Jun 30, 2018	Average six months ended Jun 30, 2018	Average three months ended Jun 30, 2018	At Dec 31, 2017	Average six months ended Jun 30, 2017	Average three months ended Jun 30, 2017
South African Rand (USD:ZAR)	13.71	12.30	12.64	12.38	13.22	13.20

2. Overall performance

2.1. Financial condition

The following is a summary of key financial indicators as at June 30, 2018:

	Jun 30, 2018 USD'000	**Dec 31, 2017 USD'000**
Equity*	1,056,946	1,189,993
Net current assets, including cash*	60,776	28,867
Cash and cash equivalents*	37,630	6,323
Restricted cash investments and guarantees*	17,803	17,733

* Variances to comparative periods include the effects of ZAR:USD foreign exchange rate changes.

2.2. Cash flows

Cash and cash equivalents at June 30, 2018, increased to USD37.630 million from December 31, 2017. This net increase is primarily due to:

- A drawdown of USD42.228 million (ZAR500 million) from a debt facility obtained from the IDC; offset by
- operating losses incurred during the six months ended June 30, 2018.

Operating cash flow for the six months ended June 30, 2018 was positive as a result of improved operational results combined with the receipt and utilisation of a USD3.421 million (ZAR40 million) credit note from Eskom for the finalisation of the Sedibelo substation project.

2.3. *Results of operations*

Key operational statistics for the quarter are summarised as follows:

		For the three months ended		For the six months ended	
		Jun 30, 2018	**Jun 30, 2017**	**Jun 30, 2018**	**Jun 30, 2017**
Averaged milled head grade	g/t	1.82	1.44	1.74	1.41
Average concentrator recovery rate	%	78	78	77	76
Average recovered grade	g/t	1.41	1.12	1.33	1.07
Total 4E ounces dispatched and sold*	Ounces	40,749	33,283	74,732	61,583
Total loss	USD’000	(9,241)	(19,452)	(22,355)	(40,565)

* Metal produced and declared is based on provisional assay results and therefore subject to change until such time that final assay results are received. These changes are not material.

Sales of 4E metal contributed approximately 96% and 93% (2017: 91% and 91%) to the gross revenue earned by PPM during the three and six month periods ended June 30, 2018. The increase to 96% contributed by the 4E metal can be attributed to the increase in the contribution made by Rhodium and Palladium as a result of the increase in demand for these metals and the subsequent rise in the prices received for both metals.

2.4. *Safety*

The Group strives for zero harm to employees and has recorded 4.87 million Fatality Free Shifts (“FFS”) as at the end of June 2018.

2.5. *Market trends and outlook*

Average US dollar PGM prices increased by approximately 15% during the six month period ended June 30, 2018 compared to the same prior year period. The increase in commodity prices was offset by a stronger ZAR, resulting in a 7% year-on-year increase in the ZAR 4E basket price. The long-term price outlook for PGM’s remains uncertain. PGM prices are expected to fluctuate with world economic activity and remains under pressure. The South African Rand is one of the most volatile currencies in the world, which is closely linked to changing market sentiment.

The latest Johnson Matthey PGM market report (“the report”) states that the platinum market will move further into oversupply this year, as increased industrial purchasing is outweighed by higher secondary supplies and lower demand from the auto-catalyst, jewelry and investment sectors. The market surplus is expected to widen to over 300 000 oz. World primary supplies of platinum are unlikely to change much in 2018. In South Africa, the impact of shaft closures should be offset by incremental gains in production at other operations, along with the refining of some unprocessed inventory. Supplies from other regions will be broadly flat.

Although the short-term production outlook for the South African PGM industry is broadly flat, there are increasing risks to output going forward. The rand denominated value of a typical basket of South African PGM appreciated significantly during the second half of 2017 but has since fallen back to levels similar to those seen in early 2013. This has put producers under intense financial pressure and has increased the likelihood of another round of shaft closures, particularly at the older mines on the Western Bushveld.

The South African mining environment continues to be challenging because of the cost of increasing stakeholder demands and policy uncertainty. The Group has embedded cost advantages in this regard because of the shallow nature of its deposits. However, negotiating these challenges could increase operating costs. The Group utilises numerous contractors to perform key mining activities. These contractors are subject to similar stakeholder pressures, inflationary factors and employee demands. Whilst management of these input costs is a key performance area, material changes could affect metal production costs.

Information about the Group’s financial risk management framework, objectives, policies and processes for measuring and managing risks, the Group’s exposure to these financial risks, and the Group’s management of capital are contained in Note 19 to the consolidated financial statements.

2.6. Events or uncertainties during the three and six month periods ended June 30, 2018

Metal dispatches were 22% and 21% higher for the three and six month periods ended June 30, 2018 compared to the prior year periods. The mining focus is on exposing sufficient reef faces to produce mining volumes in line with a mine plan that can provide sufficient reef volumes to the concentrator with a focus on providing profitable ounces (cash positive).

3. Results of operations

3.1. Financial performance for the quarter ended June 30, 2018

The Group recorded a net loss of USD9.241 million and USD22.355 million for the three and six month periods ended June 30, 2018 compared to a net loss of USD19.452 million and USD40.565 million for the three and six month periods ended June 30, 2017. The results are summarised as follows:

	For the three months ended		For the six months ended	
	Jun 30, 2018 USD'000	Jun 30, 2017 USD'000	Jun 30, 2018 USD'000	Jun 30, 2017 USD'000
Revenue	**46,648**	**30,392**	**80,972**	**57,151**
Cost of operations	**(48,526)**	**(42,573)**	**(92,562)**	**(85,146)**
Chrome revenue	1,064	-	1,406	-
On mine operations	(15,393)	(14,287)	(30,559)	(30,986)
Concentrator plant operations	(13,885)	(10,760)	(25,894)	(20,626)
Beneficiation and transport	(5,668)	(3,652)	(8,939)	(7,015)
Salaries	(4,599)	(4,109)	(9,342)	(8,163)
Subtotal	*(38,481)*	*(32,808)*	*(73,328)*	*(66,790)*
Depreciation of operating assets	(10,446)	(9,555)	(19,529)	(18,401)
Change in inventories	401	(210)	295	45
Gross loss	**(1,878)**	**(12,181)**	**(11,590)**	**(27,995)**
Administrative and general expenses	**(6,124)**	**(5,618)**	**(11,998)**	**(10,396)**
Employee expenses	(2,617)	(2,949)	(5,082)	(4,871)
General operating expenses	(2,083)	(1,706)	(4,549)	(3,760)
Amortisation and depreciation	(311)	(246)	(626)	(475)
Consulting and professional fees	(749)	(488)	(1,089)	(760)
Royalty tax	(192)	(140)	(412)	(344)
Audit fees	(172)	(89)	(240)	(186)
Other income / (expenses)	**107**	**(1,654)**	**2,939**	**(1,986)**
Other (expenses) / income	(11)	140	3,655	240
Profit on disposal of assets	-	1	-	1
Foreign exchange gain / (loss)	118	(1,795)	(716)	(2,227)
Net finance (cost) / income	**(749)**	**144**	**(1,005)**	**104**
Finance income	1,392	1,001	2,206	1,981
Finance costs	(2,141)	(857)	(3,211)	(1,877)
Share of loss from investments accounted for using the equity method	**(597)**	**(138)**	**(701)**	**(287)**
Loss before taxation	**(9,241)**	**(19,447)**	**(22,355)**	**(40,560)**
Income tax	-	(5)	-	(5)
Loss for the period	**(9,241)**	**(19,452)**	**(22,355)**	**(40,565)**
Other comprehensive (loss) / income	**(173,984)**	**44,257**	**(110,692)**	**51,327**
Exchange difference on loans designated as net investments	(74,495)	(21,371)	(58,185)	(26,426)
Exchange difference on translation from functional to presentation currency	(99,852)	65,689	(52,828)	77,817
Movements in Other reserves	363	(61)	321	(64)
Total comprehensive (loss) / income	**(183,225)**	**24,805**	**(133,047)**	**10,762**
EBITDA	**2,147**	**(8,000)**	**(479)**	**(19,561)**

3.1 Financial performance for the quarter ended June 30, 2018 (continued)

General

Revenue and cost compared to prior year periods are influenced by the conversion from the Group's functional (ZAR) to the Group's presentation (USD) currency. The ZAR strengthened by 4% and 7% from the comparative three and six month periods.

Revenue

The Group generated revenues of USD46.648 million and USD80.972 million based on metal sales during the three and six month periods ended June 30, 2018. Of this USD44.820 million and USD75.073 million relates to 4E revenue and USD1.828 million and USD5.899 million relates to iridium, ruthenium, copper and nickel. Revenues represent the amounts recorded when PGM concentrates are physically delivered to the smelter. Metal prices and assayed quantities at the point of sale are provisional. Adjustments in respect of final assayed quantities and/or prices arising between the date of recognition and the date of settlement are recognised in the period in which the adjustment arises and reflected through revenue and receivables.

Revenue increased by 53% for the three month period ended June 30, 2018 from the comparative period in 2017. This increase was the net result of:
- An 8% increase in the average ZAR 4E basket price year-on-year;
- A 22% increase in 4E ounces dispatched; set off by
- A 4% stronger Rand.

Revenue increased by 42% for the six month period ended June 30, 2018 from the comparative period in 2017. This increase was the net result of:
- A 7% increase in the average ZAR 4E basket price year-on-year;
- A 21% increase in 4E ounces dispatched; set off by
- A 7% stronger Rand.

The increase in 4E ounces dispatched compared to the previous period, was influenced by the increase in the average milled head grade, for the three and six month periods ended June 30, 2018 of 26% and 23% respectively. During 2017, low grade flotation material was utilised to fill the plant and reduce cost. This option is not part of the mining plan for 2018.

Cost of operations

Cost of operations totalled USD48.526 million and USD92.562 million for the three and six month periods ended June 30, 2018, compared to USD42.573 million and USD85.146 million for the three and six month periods ended June 30, 2017. The increase in the cost of operations can be attributed to the conversion from ZAR to USD for presentation of financial results. The Rand strengthened by 4% and 7% for the three and six month periods ended June 30, 2018. Increased cost in the concentrator was a result of the use of reagents and grinding media to improve the recoveries in the plant, which resulted in higher ounces produced.

Administrative and general expenses

Administrative and general expenses totalled USD6.124 million and USD11.998 million for the three and six month periods ended June 30, 2018, compared to USD5.618 million and USD10.396 million for the three and six month periods ended June 30, 2017. The variance to the comparative three and six month periods is a result of increased spending on consulting and legal fees and local economic development (LED) projects. The increase in consulting fees is as a result of consulting fees incurred to facilitate a restructuring and clean-up in the SPM Group that will result in a more cost-effective structure to manage going forward. Legal fees were spent on the preparation and time spent in the Constitutional Court to address the issue on the access to the Wilgespruit property for future mining that is currently occupied by farmers as well as the ongoing cost to oppose SARS in Court regarding the outstanding R300 million owed to PPM for diesel rebates.

Other income / expense

Other income totalled USD0.107 million and USD2.939 million for the three and six month periods ended June 30, 2018, compared to an expense of USD1.654 million and USD1.986 million for the three and six month periods ended June 30, 2017. The movement in other expense is a result of an impairment reversal relating to the Sedibelo power rights, amounting to USD3.421 million. Rand volatility resulted in a foreign exchange gain of USD0.118 million and a foreign exchange loss of USD0.716 million for the three and six month periods ended June 30, 2018 respectively, compared to a foreign exchange loss of USD1.795 million and USD2.227 million during the three and six month periods ended June 30, 2017.

Finance income

The increase in finance income to USD1.392 million and USD2.206 million during the three and six month periods ended June 30, 2018, compared to USD1.001 million and USD1.981 million during the three and six month periods ended June 30, 2017, was a result of increased cash reserves due to the drawdown of cash from the IDC loan which occurred during the last week of March 2018. At June 30, 2018, 9% of the Group's funds were held in USD denominated deposits, earning lower interest rates.

Finance cost

The increase in finance cost to USD2.141 million and USD3.211 million during the three and six month periods ended June 30, 2018, compared to USD0.857 million and USD1.877 million during the three and six month periods ended June 30, 2017, is the result of interest accrued on the IDC loan, offset by the lower utilisation of the Investec RCF facility during 2018.

3.2 Financial condition for the three and six months ended June 30, 2018

	As at Jun 30, 2018 USD'000	**As at Dec 31, 2017 USD'000**
Cash and cash equivalents	37,630	6,323
Other current assets	59,127	63,985
Total current assets	96,757	70,308
Restricted cash investments and guarantees	17,803	17,733
Other non-current assets	1,036,640	1,164,981
Total non-current assets	1,054,443	1,182,714
Total Assets	**1,151,200**	**1,253,022**
Current liabilities	35,981	41,441
Non-current liabilities	58,273	21,588
Total liabilities	**94,254**	**63,029**
Total shareholders' equity	1,058,247	1,191,632
Non-controlling interests	(1,301)	(1,639)
Total equity	**1,056,946**	**1,189,993**
Other information:		
Key Financial Ratios:		
Current ratio [1]	2.689	1.704
Working capital [2]	60,776	28,867
Debt/Equity ratio [3]	8.91%	6.09%

1 Current ratio = Current Assets/Current liabilities

2 Working capital = Current Assets – Current Liabilities

3 Debt to equity ratio = Total Liabilities/Shareholders' equity

General

The balances at June 30, 2018 compared to the balances at December 31, 2017 are influenced by the conversion from the Group's functional (ZAR) to the Group's presentation (USD) currency. The ZAR spot price at June 30, 2018 weakened by 11% from the spot price at December 31, 2017.

Balance sheet review

SPM's asset base is primarily comprised of non-current assets such as mining assets and property plant and equipment, reflecting the capital-intensive nature of mining. Other significant assets include intangible assets and trade and other receivables. Trade and other receivables include the PGM pipeline, which is the PGM and base metal deliveries to clients of up to 5 months.

Total assets decreased by USD102 million during the six months ended June 30, 2018. This decrease is primarily due to:

- A decrease in total assets in presentation currency as a result of the weaker ZAR; and
- Depreciation of USD20 million; offset by
- USD31 million increase in cash.

3.2 Financial condition for the three and six months ended June 30, 2018 (continued)

Total liabilities increased by USD31 million during the six months ended June 30, 2018. This is due to the increase in long term borrowings relating to the USD36.470 million (ZAR500 million) loan obtained from the IDC. The increase was offset by a reduction in the RCF balance which was USD3.630 million lower than the balance on December 31, 2017. The Revolving Commodity facility allows PPM to fix prices for concentrate deliveries to its offtakers, and receive the cash proceeds thereof upon assay rather than having to wait for settlement from the smelters in terms of existing concentrate agreements.

SPM improved working capital from USD28.867 million at December 31, 2017 to USD60.776 at June 30, 2018 due to increased cash reserves as a result of the ZAR500 million (USD36.470 million) draw-down on the loan from the IDC during March 2018. This also resulted in an improvement in the Group's current ratio to a current ratio of 2.689 as at June 30, 2018 compared to a current ratio of 1.704 as at December 31, 2017.

SPM's capital structure comprises of shareholders' equity with very low levels of debt. As at June 30, 2018 the debt-to-equity ratio was 8.91% compared to a debt-to-equity ratio of 6.09% as at December 31, 2017. The increase in debt is a result of the loan from the IDC taken up during March 2018.

3.3 Pilanesberg Platinum Mine

History

- Stripping of soil and waste overburden began during March 2008. Reef mining commenced during December 2008. Stock-piling of PGM-bearing ore ahead of the concentrator began during December 2008. Milling operations commenced during March 2009. Delivery of the first concentrate to Northam took place during April 2009. Commercial production was declared on January 1, 2011.

- Site establishment commenced during October 2007 and construction was completed during February 2009. In March 2009, reef processing through the UG2 circuit commenced and metals in concentrate were produced for smelting, refining and sale to Northam in terms of the Concentrate Agreement. During June 2009, following the installation by ESKOM of an additional 23MVA of power (for a total of 37MVA), the Merensky circuit commenced processing reef.

- As part of the construction of PPM, power supply of 37MVA from ESKOM was commissioned on June 7, 2009. In addition, a complete 10MVA standby diesel generator was constructed at a cost of USD17.380 million (ZAR144.350 million). The construction of this generator was completed on December 2, 2009. Insurance guarantees for the amount of USD12.729 million (ZAR105.718 million) have been provided to ESKOM for the supply of power and related infrastructure.

- A tailings scavenging plant was hot commissioned on 17 March 2016 to treat the hot tailings from the concentrator in order to increase the overall plant recovery, by recovering some of the PGMs that were not recovered in the concentrator.

- As part of optimisation, the chrome mining right for Tuschenkomst was secured on 15 September 2015. A chromite recovery plant was constructed during 2017 and the plant was commissioned during September 2017.

Extraction and processing of ore

Due to the close proximity of the PGM bearing Merensky and Pseudo reefs ("the silicate package") and the U2D package (containing the UG2 reef) in this part of the Bushveld complex, both of these ore bodies are extracted in West pit. The silicate package is processed in the Merensky circuit of the concentrator and the U2D package routed through the DMS and then processed in the UG2 circuit. The concentrates from both reef packages are blended and sent to local smelters for further processing into refined metals, in terms of tolling agreements.

Construction of a chromite removal plant commenced during January 2017. The extraction of chromite from the UG2 circuit as an additional revenue stream at a small incremental operational cost will result in a positive contribution to operating results. The plant was commissioned during September 2017, after initial operations changes were made to the plant to produce the required specification of concentrate grade. The first Revenue was received during March 2018. The plant is still being optimised, since it has not yet been able to produce the expected grade at the expected yield. Care is taken not to compromise PGM production in the process of improving the production of the by-product.

3.3 Pilanesberg Platinum Mine (continued)

Operations

The following important operating developments occurred during the three and six months ended June 30, 2018.

Q1 FY2018:

The Q1 performance is in line with the operational plan for 2018 whereby mining operations are focused in areas to open sufficient rock faces to provide production volumes in line with the mine plan. The plant is processing at capacity by supplementing plant feed with DMS discard.

Q2 FY2018:

The Q2 performance is in line with the operational plan for 2018. Ounces dispatched and sold are in line with budget and the Group is generating a cash operating profit despite a delay in achieving the required yield of chrome. The plant is processing at capacity.

Operational performance during the three and six month periods ended June 30, 2018

		For the three months ended		**For the six months ended**	
	Unit	**Jun 30, 2018**	**Jun 30, 2017**	**Jun 30, 2018**	**Jun 30, 2017**
Reef delivered to the ROM pad	Tonnes	935,302	676,806	1,742,747	1,364,521
Reef processed	Tonnes	1,087,718	993,419	1,922,795	1,844,544
Reef milled	Tonnes	906,810	930,814	1,773,797	1,768,135
Average milled head grade	g/t	1.82	1.44	1.74	1.41
Average recovery rate	%	78	78	77	76
Average recovered grade	g/t	1.41	1.12	1.33	1.07
4E ounces dispatched and sold*	Oz	40,749	33,283	74,732	61,583
4E basket price **					
- USD	USD	1,034	915	1,050	916
- ZAR	ZAR	13,050	12,083	12,902	12,106
Gross revenue from metal sales					
- USD	USD'000	46,648	30,392	80,972	57,151
- ZAR	ZAR'000	595,814	400,532	1,020,902	753,836

* Metal produced and declared is based on provisional assay results and therefore subject to change until such time that final assay results are received. These changes are not material.

** Basket price for 4E i.e. platinum, palladium, rhodium and gold.

3.4 Exploration and development of other PGM properties

3.4.1 Pilanesberg exploration projects (on the Western Limb of the Bushveld Complex)

The total exploration expenditure on various Pilanesberg exploration projects was USD0.012 million (ZAR0.148 million) for the quarter ended June 30, 2018. Total exploration expenditure since the inception of the Pilanesberg exploration projects of USD2.716 million (ZAR37.245million) has been capitalised in accordance with the Group's accounting policies as part of "Exploration and evaluation assets".

Work program

The Pilanesberg exploration projects consist of properties adjacent to PPM.

3.4.2 Mphahlele Project (on the Eastern Limb of the Bushveld Complex)

During the quarter ended June 30, 2018, a total of USD0.054 million (ZAR0.659 million) was spent on the Mphahlele Project bringing the cumulative expenditure to date on the project by the Group to USD8.617 million (ZAR118.160 million), excluding acquisition costs. In accordance with the Group's accounting policies, these costs have been capitalised as part of "Exploration and evaluation assets".

Work program

In light of the fact that the board has decided to focus resources and management on bringing PPM into profitable production, the Mphahlele Project was placed on a reduced work program for the short term.

3.4.3 Grootboom Project (on the Eastern Limb of the Bushveld Complex)

During the quarter ended June 30, 2018, the Company spent USD Nil (ZAR Nil) on Grootboom. The cumulative expenditure to date on the project is USD3.226 million (ZAR44.235 million). In accordance with the Group's accounting policies, these costs have been capitalised as part of "Exploration and evaluation assets".

Work program

In light of the fact that the board has decided to focus resources and management on bringing PPM into profitable production, this project was also placed on a reduced work program for the short term.

3.4.4 Loskop Project (on the Eastern Limb of the Bushveld Complex)

Lonmin Plc is the operator of the Loskop Project and acquired its 50% interest in the joint venture in August 2006 and expenditure since then has been shared on a 50/50 basis.

During the quarter ended June 30, 2018, the Company spent USD2.206 thousand (ZAR27.146 thousand) on the Loskop Project. Total cumulative exploration expenditure on this project since inception is USD0.288 million (ZAR3.944 million). In accordance with the Group's accounting policies, these costs have been capitalised as part of "Exploration and evaluation assets".

4 Summary of Quarterly Results

	In accordance with IFRS							
USD'000	**Jun '18**	**Mar '18**	**Dec '17**	**Sep '17**	**Jun '17**	**Mar '17**	**Dec '16**	**Sep '16**
Revenue	46,648	34,324	42,781	30,791	30,392	26,759	35,548	42,998
Cost of operations	(48,526)	(44,036)	(43,608)	(40,448)	(42,573)	(42,573)	(44,897)	(49,013)
Gross loss	(1,878)	(9,712)	(827)	(9,657)	(12,181)	(15,814)	(9,349)	(6,015)
Other operating (cost)/ (income	(6,017)	(2,208)	992	(5,820)	(7,272)	(5,110)	(12,380)	(12,766)
Net finance (cost)/ income	(749)	(256)	(105)	15	144	(40)	(135)	(455)
(Loss)/Profit from associate	(597)	(104)	(84)	(267)	(138)	(149)	(533)	190
Loss before taxation	(9,241)	(13,114)	(24)	(15,729)	(19,447)	(21,113)	(22,397)	(19,046)
Loss for the period	(9,241)	(13,114)	(42)	(15,729)	(19,452)	(21,113)	(22,407)	(18,075)

5 Capital Resources

5.1 Working capital

As at June 30, 2018, Sedibelo Platinum Mines' total working capital was USD60.776 million (December 31, 2017: USD28.867 million). Working capital is based on the total unrestricted cash plus cash equivalents (USD37.630 million), inventory (USD8.827 million) and trade and other receivables (USD50.300 million) less trade payables and accrued liabilities (USD21.753 million), less short-term portion of borrowings (USD0.328 million) and less revolving commodity facility (USD13.900 million). Sedibelo Platinum Mines' cash and cash equivalents are held in short term and liquid interest earning deposits at highly reputable financial institutions of a high quality credit standing within the Republic of South Africa and in the United Kingdom.

SPM improved working capital by securing the R500 million (USD36.470 million) loan from the IDC during March 2018. As part of working capital management and ensuring enough cash is available for operational needs, the RCF with Investec is utilised on a continuous basis. The RCF will be renewed with Investec before its expiry date in September 2018.

5.2 Restrictions on the repayments of inter-group loans

The Company's principal subsidiary, Platmin South Africa Proprietary Limited ("PSA"), operates in South Africa and as a result is subject to the South African Reserve Bank (''SARB'') Exchange Control Regulations. Any repayment of foreign currency loans by a South African company to an offshore company is subject to prior approval by the SARB.

The shareholder loan from Sedibelo Platinum Mines to PSA amounted to USD1.291 billion at June 30, 2018 and has primarily been used to fund the development of PPM.

The terms of the loan agreement with the IDC state that no intercompany loans may be repaid by PPM until the loan is repaid.

6. Liquidity

6.1 Unrestricted cash

The Company had unrestricted cash and cash equivalents of USD37.630 million at June 30, 2018. Management has secured a loan facility of ZAR500 million with the Industrial Development Corporation which provides access to sufficient cash resources to ensure operational continuation for the foreseeable future. The company drew down on ZAR100 million on 23 March 2018 and ZAR400 million on 29 March 2018.

6.2 Restricted cash

The Group had restricted cash investments and guarantees forming part of its non-current assets totalling USD17.803 million (USD17.733 million at December 31, 2017). The restricted cash is increased with a monthly contribution of ZAR2.5 million. This cash is held with Rand Merchant Bank on long-term deposits and ceded in favour od Lombard Insurance. Lombard Insurance provides the Group with guarantees with both Eskom and the Department of Mineral Resources. The facility with Lombard is 44% cash-backed at June 30, 2018.

6.3 Contractual Obligations

The Group's contractual obligations are as follows:

Contractual obligations	Payments due by period as at June 30, 2018			
USD'000	Total	< 1 year	1-3 years	After 3 years
Employee entitlements (1)	1,644	1,644	-	-
Operating lease (2)	450	173	277	-
Asset Retirement Obligation (3)	15,955	-	-	15,955
Mining costs (4)	5,298	5,298	-	-
Open Purchase Orders	8,728	8,728	-	-
Total Contractual Obligations	32,075	15,843	277	15,955

(1) The employee entitlements include the leave pay due to employees in terms of their employment contracts.
(2) This includes the contractual monthly payments for the rental of the Company's corporate office.
(3) The amount of USD15,955,000 represents the gross asset retirement obligation to rehabilitate the opencast pit and plant at PPM at the end of life of mine, in accordance with the mining license and approved EMP.
(4) Committed mining expenses include the estimated cost that will be incurred by the main mining contractors to carry out the opencast mining operations for the required notice period, should the contracts be cancelled.

7. Environmental Matters

7.1 Overview

The Company conducts exploration on its key projects and prospects subject to mineral exploration permit applications made to and issued by the DMR. For each exploration program, a rehabilitation plan is included with the application and where required, the appropriate bond or funds are lodged with the relevant agent of the DMR in respect of the rehabilitation work which may have to be carried out when the exploration program is completed and no further work is planned on the property. All such environmental plans or bonds are in the normal course of the business.

Environmental guarantees are released by the DMR on completion of the obligations in terms of the rehabilitation plans contained within either the application for the prospecting permits, or the Mining Right.

7.2 PPM rehabilitation

As at June 30, 2018, the Company had USD24.603 million (ZAR337.391 million) in guarantees with the DMR. The guarantees have been provided on an insurance basis with a portion of the total guarantees being paid over into a separate bank account controlled by the Group and ceded in favour of the insurance company.

7.3 Rehabilitation of other development projects

Guarantees required by the DMR for prospecting and mining rights held by the Group were provided by way of both cash and insurance backed guarantees. The insurance backed guarantees were issued by the Lombard Insurance Group. Ongoing contributions are made by the Group to fund the balance of the liability over the remaining life of the prospecting permit. As at June 30, 2018 the Group had USD2.833 million (ZAR38.855 million) in guarantees with the DMR for other projects.

8. Mineral and Petroleum Resources Royalty Act, 2008 (Act no. 28 of 2008)

The South African Government has enacted the Mineral and Petroleum Resources Royalty Act (the ''Royalty Act''), which imposes a royalty payable to the South African Government by businesses based upon financial profits made through the transfer of mineral resources. The royalty has been payable from March 1, 2010 and is based on a percentage calculated by means of a formula, from a minimum of 0.5% up to a maximum of 5% of gross sales of refined mineral resources or 7% on gross sales of unrefined mineral resources.

During the six months ended June 30, 2018, USD0.412 million (ZAR5.082 million) was paid for royalty expense.

9. Critical accounting estimates

The Company's significant accounting principles and methods of application are disclosed in the notes of the Company's consolidated financial statements for the year ended December 31, 2017. The following is a discussion of the critical accounting policies and estimates which management believes are important for an understanding of the Company's financial results.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected.

The primary areas in which estimates and judgements are applied are as follows:

Determination of consolidation

Management applies judgement when determining whether the Company should consolidate entities where it owns less than half of the voting power of an entity. An investor controls an investee if and only if the investor has all of the following elements:

- a power over the investee, i.e. the investor has existing rights that give it the ability to direct the relevant activities (the activities that significantly affect the investee's returns);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect the amount of the investor's return.

Management have further consolidated Defacto Investments 275 Proprietary Limited, Dream World Investments 226 Proprietary Limited and Taung Platinum Exploration Proprietary Limited even though the Group owns less than half of the share capital of those entities as it was determined that the Group manages the financial and operating policies of those entities.

Management have accounted for its interest in KellTech Limited as a joint venture through the equity method of accounting due to the nature of the joint arrangement.

Impairment of non-current assets

Management uses the guidance in *IAS 36 – Impairment of assets* when assessing whether indicators for impairment exist for mining assets, intangible assets and property, plant and equipment. Management uses certain assumptions in calculating the assets value in use. Assumptions such as PGM prices, South African Rand: United States Dollar exchange rates and inflation are based on the most recent information available in the market.

Inventory

Metal inventory is held in a wide variety of forms across the value chain reflecting the stage of refinement. Prior to production as final metal the inventory is always contained within a carrier material. As such inventory is typically sampled and assays taken to determine the metal content and how this is split by metal. Measurement and sampling accuracy can vary quite significantly depending on the nature of the vessels and the state of the material. Management judgement, therefore, is also applied.

9. Critical accounting estimates (continued)

Decommissioning and rehabilitation provision

The Group assesses its mine rehabilitation provision annually. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases, and changes in discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision represents management's best estimate of the present value of the rehabilitation costs anticipated to be incurred at the end of the mine's life. See Note 14 of the consolidated financial statements.

Reserves and Resources

The estimation of reserves impacts the depreciation of certain categories of property, plant and equipment (deferred stripping costs, decommissioning assets and producing mines), the recoverable amount of mining assets and property, plant and equipment and the timing of rehabilitation expenditure. The reserves and resources statement is prepared by an independent expert that complies with the South African Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves ("SAMREC code").

Factors impacting the determination of proved and probable reserves are:

- the grade of mineral reserves may vary
- actual commodity prices and commodity price assumptions
- operational issues at mine sites; and
- capital, operating, mining, processing and reclamation costs, discount rates and foreign exchange rates.

Depreciation – units of production

Various units-of-production (UOP) depreciation methodologies are available to management e.g. tonnes processed, tonnes milled, tonnes mined or ounces produced. Management elected to depreciate deferred stripping, decommissioning asset and producing mines using the ore tonnes mined methodology and plant and equipment using the ore tonnes processed methodology.

The calculation of the UOP rate of depreciation will be impacted to the extent that actual production in the future is different from current forecast production based on proved and probable mineral reserves.

10. Other

10.1 Off-Balance Sheet Arrangements

At June 30 2018, the Group had USD40.670 million in guarantees to the DMR and Eskom, of which USD17.803 million is funded.

10.2 Proposed Transactions

The Company continues to evaluate opportunities in the market with a view to expand the current business. At the current time there are no reportable proposed transactions.

10.3 Financial Instruments and Other Instruments

The Group has the following financial instruments: cash and cash equivalents, restricted cash investments and guarantees, loans receivable, trade receivables, trade payables and accrued liabilities, the revolving commodity facility and long-term borrowings. These instruments are financial assets and liabilities at amortised cost with fair values approximating their carrying values.

10. Other (continued)

10.4 Changes in Accounting Policies including Initial Adoption

There were no changes in the accounting policies applied since the issue of the audited consolidated financial statements for the year ended December 31, 2017. At the date of the issue of this report, the following new accounting standard was in issue but not yet effective. The standard is not expected to have an impact on the Company's financial statements.

- IFRS 16 Leases – The standard removes the classification of leases as operating or finance leases and requires all leases to be included on the statement of financial position.

  Impact assessment

  The Group has limited lease arrangements and therefore no material changes were identified. The impact is expected to be minimal. The standard is effective for year-ends beginning on or after 1 January 2019.

The following new accounting standards were effective for the first time during 2018:

- IFRS 9 Financial instruments – The standard contains substantial changes with regards to classification, measurement, impairment and hedge accounting requirements.

  Impact assessment

  Revolving credit facility fair value adjustments were considered to determine whether the contracts include an element to be accounted for under hedge accounting. An assessment of credit risk was performed and is not expected to have a material effect given the nature of receivables. The standard is effective for year-ends beginning on or after 1 January 2018.

- IFRS 15 Revenue from Contracts with Customers – The standard is more prescriptive around considerations of when control of goods is transferred to the customer.

  Impact assessment

  Provisional pricing arrangements and delivery obligations with customers were considered to determine whether the contracts include embedded derivatives or variable consideration, or multiple performance obligations. No material impact was identified and revenue recognition is expected to remain consistent. The standard is effective for year-ends beginning on or after 1 January 2018.

There are no other new standards, interpretations or amendments to standards issued and effective for the year which may in the future be expected to have a material impact on the Group.

11. Outstanding share data

As at June 30, 2018, the Company had 3,095,401,663 common shares in issue.

12. Risks and uncertainties

The Company is in the business of the exploration and development of mineral properties and the operation of mines directly or through third parties. There are numerous risks associated with these activities and specific risks with regards to the South African mining environment.

12.1 Legal proceedings

Access to mining property

A delay is anticipated in mining Wilgespruit due to disruptions by local communities. Access to the land, in order to execute a mining right to mine the minerals, has been restricted as a result of the continued occupation of the land by the community.

On July 2, 2017, the farmers lodged their application in the Supreme Court of Appeal which has been dismissed. On 12 October 2017, an Application for Leave to Appeal to the Constitutional Court was received, resulting in the eviction order once again being suspended.

The Constitutional Court heard the farmers' argument on whether the Court should grant them leave to appeal on 24 May 2018, the Company still awaits the Court's ruling.

Diesel rebates

On 26 July 2012, the South African Revenue Service ("SARS") issued a Letter of Demand to PPM to repay diesel refunds for the period April 2008 to March 2011. Diesel refunds claimed by PPM for the period April 2011 to August 2011 have been disallowed. PPM appealed these findings and lodged an application to the High Court to set aside the demand for repayment and the denial of pro rata amounts of diesel refunds.

On 29 May 2018, the matter was postponed for hearing, commencing on 20 August 2018 and thereafter proceeding on 21 – 24 August 2018. PPM's response to the new matters contained in SARS' affidavit, including the annexures thereto, was filed at the High Court on 2 July 2018.

By mutual agreement the matter has been postponed to a date to be retained by the Acting Deputy Judge President.

12.2 Liquidity

The Group operates in a cyclical industry where levels of cash flow have historically been materially influenced by market prices for commodities and exchange rates. Material uncertainties, such as exposure to ZAR:USD exchange rate and PGM prices, cast significant strain on the Group's liquidity position. See disclosure around going concern in Note 1 of the consolidated financial statements for the year ended December 31, 2017.

13. Internal control over financial reporting

Management has evaluated or caused to be evaluated, the effectiveness of the Company's disclosure controls and procedures and the internal control over financial reporting and concluded that the Company's disclosure and internal control over financial reporting was effective as of the end of the three and six months ended June 30, 2018. The Company has identified no material weakness in the design of its internal controls over financial reporting. There has been no change in the Company's internal controls over financial reporting since its year-end MD&A for the period ended December 31, 2017 or during the three and six months ended June 30, 2018, that has materially affected, or is reasonably likely to materially affect its internal controls over financial reporting.